

Message Text

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SUBJECT: NARROW DIFFERENCE ON DEFENSE AGREEMENT

REF: COPENHAGEN 3155

SUMMARY: DESPITE ALARMS AND CONFUSION OVER THE STAUTS OF A
NEW DANISH DEFENSE AGREEMENT, SOME OF THOSE CLOSEST TO IT
ARE CONFIDENT THAT ONE WILL BE REACHED OVER THE NEXT MONTH.
THIS PRESENT TELEGRAM SETS OUT THE APPARENT GAP - NOT THAT
WIDE - IN FUNDING LEVELS THAT SEPARATES THE GOVERNING SOCIAL
DEMOCRATS
AND THE RADICAL PARTY ON ONE HAND AND THE OTHER FOUR PARTIES
PARTICIPATING IN THE NEGOTIATIONS. END SUMMARY.

1. EARLY REPORTS, ESPECIALLY IN THE PRESS, ON WHAT TRANSPIRED
DURING LAST WEEKEND'S NEGOTIATIONS WHICH FAILED TO PRODUCE A
NEW DANISH DEFENSE AGREEMENT (REFTEL) HAVE BEEN
CONTRADICTORY AND INCOMPLETE. THE FOLLOWING ACCOUNT,
OUR BEST SYNTHESIS OF WHAT ACTUALLY OCCURRED AND WHAT
FUTURE PROSPECTS ARE, IS BASED ON SEPARATE CONVERSATIONS
BETWEEN POLCOUNS AND CONSERVATIVE PARTY LEADER POUL
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SCHLUTER AND A PROMINENT SOCIAL DEMOCRATIC PARLIA-

MENTARIAN, KNUD DAMGAARD. (BOTH SCHLUTER AND DAMGAARD MUST BE PROTECTED.)

2. AS POINTED OUT IN PARA 2, REFTTEL, MANY OF THE PARAMETERS OF A NEW DEFENSE AGREEMENT WERE AGREED BETWEEN THE TWO SIDES. IN ADDITION AND AS EXPECTED, ALL FUNDING LEVELS WOULD BE INDEXED TO OFFSET INFLATION. IT WAS ALSO AGREED THAT ANY ONE OF THE PARTIES TO THE NEW AGREEMENT COULD VETO ANY CHANGES TO IT.

3. THE POSITION OF THE FOUR PARTIES (LIBERALS, CONSERVATIVES, CHRISTIANS AND CENTER DEMOCRATS) IS THAT, DESPITE FUNDING REDUCTIONS IN THE EARLY STAGES OF A NEW MULTI-YEAR AGREEMENT, THE GLOBAL TOTAL FOR THE DURATION OF AN AGREEMENT SHOULD REPRESENT AN OVERALL ACTUAL INCREASE IN REAL TERMS. THE FOUR ARE PREPARED TO ACCEPT CUTS IN FUNDING BELOW PRESENT LEVELS FOR THE FIRST TWO YEARS OF A SIX-YEAR AGREEMENT IF THEY ARE MORE-THAN-COMPENSATED FOR BY INCREASES IN THE LAST YEARS OF THE AGREEMENT.

4. SCHLUTER NOTED THAT IT WAS PARTICULARLY IMPORTANT TO HIM AND THE LEADERS OF ALLIED PARTIES THAT FUNDING LEVELS WERE RISING IN THE LAST YEAR OF A NEW AGREEMENT. THIS WOULD PROVIDE FOR A BETTER BARGAINING POSITION BY DEFENSE ADVOCATES AS THEY BECOME INVOLVED IN NEGOTIATING A FOLLOW-ON DEFENSE AGREEMENT IN 1981.

5. WE WERE PROVIDED SPECIFIC FIGURES COVERING THE LIFE OF A SIX-YEAR COMPROMISE, BUT IT MAY BE SUFFICIENT AT THIS POINT TO REPORT THAT EVIDENT CONSENSUS WAS REACHED ON CUTS TOTALING DKR 270 MILLION (ABOUT \$45 MILLION) OVER THE FIRST TWO YEARS OF THE NEW AGREEMENT (CONTRARY TO PARA 3, REFTTEL). PARTIES ALSO AGREED THAT THE THIRD YEAR OF THE AGREEMENT WOULD BE "NEUTRAL" - THAT IS, AT PRESENT SPENDING LEVELS. THERE WAS A FAILURE TO AGREE ON THE EXTENT OF INCREASES OVER THE LAST YEARS OF THE NEW COMPROMISE. IT APPEARS, HOWEVER, THAT ONLY DKR 200 MILLION (ABOUT \$33 MILLION) OVER THE TOTAL SIX-YEAR PERIOD SEPARATES THE FALL-BACK POSITIONS OF THE TWO SIDES.

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6. BECAUSE OF THE BREAKDOWN IN THE TALKS, SUPPOSEDLY ALL BETS ARE OFF AND RENEGOTIATIONS WILL HAVE TO START AB INITIO. BUT BOTH SCHLUTER AND DAMGAARD BELIEVE THAT, IN FACT, ONLY A COMPROMISE ON FUNDING LEVELS NEED BE ADDRESSED IN RESUMED NEGOTIATIONS. BOTH ARE ALSO OPTIMISTIC THAT AN AGREEMENT WOULD BE REACHED WITHIN THE NEXT MONTH. THIS OPTIMISM MUST BE REGARDED WITH SOME

SKEPTICISM BECAUSE IT HAS BEEN REPEATEDLY, AND FRUIT-
LESSLY, ASSERTED BY ALL PARTIES TO THE NEGOTIATIONS
OVER THE LAST EIGHT MONTHS.

7. IT REMAINS CLEAR, HOWEVER, THAT WITH THE POSSIBLE
EXCEPTION OF THE RADICALS, THOSE SAME PARTIES WANT TO
AVOID OPENING UP THE DEFENSE QUESTION FOR GENERAL
PARLIAMENTARY DEBATE. RE PARA 4, REFTEL, THE TACTIC
WOULD BE TO DELAY SUBMISSION OF THE BUDGET BILL AFTER
PARLIAMENT CONVENES OCTOBER 5 TO ALLOW TIME FOR
FURTHER MANEUVER AND TALKS. GIVEN THE APPARENT
PROXIMITY OF THE POSITIONS OF BOTH SIDES, IT WOULD BE
SURPRISING IF AFTER SOME ADDITIONAL POLITICAL GRAND-
STANDING AGREEMENT COULD NOT BE REACHED.
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